

Message Text

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R 250936Z AUG 77
FM AMEMBASSY ALGIERS
TO SECSTATE WASHDC 7091
INFO AMEMBASSY MADRID
AMEMBASSY NOUAKCHOTT
AMEMBASSY PARIS
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AMEMBASSY TRIPOLI
AMEMBASSY TUNIS
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C O N F I D E N T I A L SECTION 1 OF 3 ALGIERS 2165

CINCEUR FOR POLAD

E. O. 11652: GDS
TAGS: PINT, AG, US
SUBJ: THE ALGERIAN POLITICAL SCENE: RESTLESSNESS GROWS

REF: ALGIERS 0905

1. SUMMARY: STRIKES, STUDENT DEMONSTRATION, AS WELL AS TENSION IN HISTORICALLY TURBULENT KABYLIA REGION OF COUNTRY HAVE MADE ALGERIAN POLITICAL SCENE RESTLESS AND HAVE OVERSHADOWED FOREIGN POLICY SUCCESSES. DISSATISFACTION WITH REGIME'S APPARENT LASSITUDE, LACK OF ORGANIZATION AND CORRUPTION, PLUS SOME MEASURE OF POLITICAL TOLERANCE AND OPENNESS HAVE COMBINED BOTH TO BREED TENSION AND TO MAKE IT MORE VISIBLE. POLITICAL DIFFICULTIES, ALTHOUGH PROBABLY MORE SERIOUS THAN IN RECENT PAST, POSE NO PRESENT THREAT TO REGIME'S EXISTENCE, AND BOUMEDIENE MAY BE EXPECTED TO CARRY ON, TO EXTENT
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POSSIBLE, WITH PRESENT DEVELOPMENT PROGRAMS AND PRAGMATIC, NON-RADICAL FOREIGN POLICY, AND RAPPROCHMENT WITH U.S. AGAINST THIS BACKGROUND, U.S.-ALGERIAN RELATIONS CONTINUE TO IMPROVE, ALTHOUGH DIFFICULTIES OUR COMPANIES FACE HERE ARE GROWING. IDENTIFICATION OF U.S. WITH PERCEIVED ECONOMIC FAILURES, STALEMATES IN SAHARA, MIDDLE EAST AND SOUTHERN AFRICA COULD ALL POSE PROBELMS IN FUTURE, AND COLLING OF POLITICAL RELATIONS COULD BE COMPOUNDED BY PRO-

BLEMS U.S. FIRMS ARE ENCOUNTERING. END SUMMARY.

2. THE SETTING: SINCE ALGIERS 905 WAS WRITTEN, ALGERIAN POLITICAL SCENE HAS GROWN MORE RESTLESS. AS WE HAVE BEEN REPORTING, FREQUENCY OF STRIKES IN STATE ENTERPRISES AND, TO A LIMITED EXTENT, IN PRIVATE SECTOR ROSE SHARPLY DURING SPRING AND SUMMER, AND THERE WERE SEVERAL STUDENT DEMONSTRATIONS IN LATE SPRING. DISORDERS WERE GENERALLY SMALL SCALE AND SHORT LIVED, AND ALMOST ALL WERE ENDED WITHOUT DIFFICULTY. STILL, WILLINGNESS AND ABILITY OF STUDENTS AND WORKERS TO ORGANIZE THEIR PROTESTS IS STRIKING IN A COUNTRY IN WHICH MASS ORGANIZATIONS ARE GOVERNMENT-CONTROLLED AND STRIKES ARE ILLEGAL.

3. TENSION IN COUNTRY'S KABYLIA REGION, WHICH HAS A LONG RECORD OF OPPOSITION TO CENTRAL CONTROL, IS APPARENTLY AT A RECENT HIGH. REPORTED MACHINE GUN EXECUTIONS IN THIS REGION OF TWO FLN OFFICIALS BY DISGRUNTLED FORMER KABYLIE RESISTANCE FIGHTERS TOOK PLACE AGAINST BACKDROP OF KABYLIE RESENTMENT AT ARABIZATION, SEIZURE OF HUNTING WEAPONS, AND EXPULSION OF WELL-LIKED CATHOLIC TEACHERS. ETHNIC HOSTILITY SHOWED ITSELF AT NATIONAL CHAMPIONSHIP SOCCER MATCH IN WHICH SUPPORTERS OF KABYLIE TEAM ARE SAID TO HAVE REFUSED TO RISE FOR ALGERIAN NATIONAL ANTHEM.

4. FOREGOING DIFFICULTIES HAVE TENDED TO OBSCURE REASONABLE SUCCESS REGIME HAS BEEN HAVING IN FOREIGN POLITICAL VENTURES. POLISARIO HAS CONTINUED TO ATTRACT WORLD PRESS ATTENTION WITH ITS CLAIMS OF CONFIDENTIAL

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VICTORIES IN SAHARA, AND BOUMEDIENE, FACED WITH WHAT LOOKED LIKE DIFFICULT SITUATION AT LIBREVILLE OAU SUMMIT, SUCCEEDED IN CONVINCING SUPPOSEDLY PRO-MOROCCAN OAU PRESIDENT BONGO OF GABON TO SET DATE NEXT OCTOBER FOR LONG-POSTPONED SPECIAL SUMMIT ON SAHARA QUESTION. BOUMEDIENE ALSO ABANDONED HIS CAUTIOUS APPROACH TO ARAB PROBLEMS BY UNDERTAKING A BRIEF MEDIATION IN THE EGYPTIAN-LIBYAN DISPUTE AND WAS GIVEN SOME CREDIT BY SADAT FOR HIS EFFORT. HOWEVER, ALTHOUGH OFFICIAL MEDIA HAVE HAILED THESE ACCOMPLISHMENTS, PREOCCUPATION OF ALGERIAN PUBLIC HAS BEEN WITH REGIME'S DOMESTIC DIFFICULTIES.

5. FRUSTRATION: SEVERAL REASONS FOR DISSATISFACTION, AND FOR ITS OPEN EXPRESSION, SUGGEST THEMSELVES. RISING COST OF LIVING, APPARENT CALLOUSNESS OF ADMINISTRATION TO EVERYDAY NEEDS OF PUBLIC, REGIME'S PENCHANT FOR GREAT PRONOUNCEMENTS FOLLOWED BY NEGLIGIBLE RESULTS, AND POPULAR VIEW THAT AGRARIAN REVOLUTION HAS FAILED AND THAT INDUSTRIAL DEVELOPMENT PROGRAM IS MISMANAGED HAVE TENDED TO OBSCURE OFFICIAL ACCOMPLISHMENTS. FORMATION OF NEW GOVERNMENT IN APRIL HAS DONE LITTLE SO FAR TO DISPEL "DO NOTHING" IMAGE ADMINISTRATION HAS ACQUIRED IN PUBLIC MIND, AND FAILURE OF ITS HIGHLY PUBLICIZED WAGE-PRICE STUDY TO PRODUCE SALARY INCREASES IS PROBABLY A MAJOR CAUSE OF RECENT OUTBREAK OF STRIKES.

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6. ANOTHER CAUSE OF RESENTMENT IS MORE APPARENT NEPOTISM AND CORRUPTION AT HIGH LEVELS OF REGIME. CONTRAST BETWEEN LIFE STYLE OF ALGGIERS' INCREASING POOR POPULATION AND THAT OF PRIVILEGED MIDDLE AND HIGH LEVEL STATE COMPANY EMPLOYEES (ESPECIALLY, EMPLOYEES OF SONATRACH) IS APPARENT TO MOST CASUAL OBSERVER AND TENDS TO WEAKEN REGIME'S PROFESSIONS OF EGALITARIANISM. SOCIALISM AND ITS PROGRAMS OFTEN SAID TO BENEFIT ONLY ELITE WITH COMMON MAN LEFT TO FEND FOR HIMSELF AGAINST "CAPITALIST EXPLOITERS." CONTINUING FLIGHT ABROAD OF WELL PLACED STATE COMPANY OFFICIALS, APPARENTLY ONE STEP AHEAD OF LAW, HAS FUELED SPECULATION THAT ALGERIAN FISH IS ROTTING AT, OR AT LEAST VERY NEAR, THE HEAD.

7. OPENNESS AND OFFICIAL TOLERANCE: ANOTHER ELEMENT IN SITUATION IS THAT POLITICAL ATMOSPHERE IN ALGERIA APPEARS TO HAVE BECOME MORE CONDUCTIVE TO OPEN DEMANDS FOR CHANGE. IN RETROSPECT, DEBATE ON
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NATIONAL CHARTER IN SPRING AND EARLY SUMMER OF 1976 SEEMS TO HAVE GIVEN ALGERIANS FEELING THAT MORE OPEN CRITICISM WOULD BE TOLERATED, EVEN IF AIRING OF GRIEVANCES IN OFFICIAL MEDIA -- AS WAS DONE DURING DEBATE -- WAS NO LONGER POSSIBLE. IN OUR OWN MEETINGS WE FIND ALGERIANS MORE OPENLY CRITICAL, AND ALGERIANS TELL US THAT, AMONG THEMSELVES, CRITICISM HAS BECOME BOTH TRENCANT AND COMMON-PLACE.

8. FOR ITS PART, REGIME HAS NOT BEEN NOTABLY REPRESSIVE IN RESPONDING TO VARIOUS FORMS OF PUBLIC PROTEST. ALTHOUGH THERE HAVE BEEN ARRESTS IN KAYLIA AND AMONG ALGIERS STUDENTS, AND VIOLENCE DURING PORT STRIKE, MOST DEMONSTRATIONS HAVE NOT BEEN PUT DOWN WITH FORCE. ALSO, ON AT LEAST THREE OCCASIONS, BOUMEDIENE HAS PERSONALLY NEGOTIATED WITH PROTESTORS, AND IN CASE OF RECENT BUS STRIKE IN ALGIERS, HE IS SAID TO HAVE BEEN SYMPATHETIC TO WORKERS DEMANDS.

9. THE FUTURE - MORE OF THE SAME: WHILE COMBINATION OF INTERNAL POLITICAL PROBLEMS JUST DESCRIBED IS PROBABLY MOST SERIOUS IN PAST TWO YEARS, IT DOES NOT YET REPRESENT THREAT TO REGIME'S EXISTENCE, AND IT APPEARS UNLIKELY THAT GOVERNMENT WILL ALTER ITS COURSE SIGNIFICANTLY IN IMMEDIATE FUTURE. SOME CONCESSION TO DEMANDS FOR HIGHER WAGES WILL PROBABLY BE FORTHCOMING, BUT SCALING DOWN OF DEVELOPMENT ACTIVITIES TO PERMIT GIVING CONSUMER BIGGER SLICE OF THE PIE WOULD SEEM IMPROBABLE. BOUMEDIENE HAS LOST NO OCCASION TO REAFFIRM HIS COMMITMENT TO HEAVY INVESTMENT IN RAQID INDUSTRIAL DEVELOPMENT, AND NOTHING THAT HAS HAPPENED SO FAR ON INTERNAL POLITICAL SCENE LIKELY TO CHANGE THIS.

10. IF OVERT DISSENT REMAINS AT PRESENT LEVEL, REGIME'S APPROACH WILL PROBABLY CONTINUE MORE CONCILIATORY THAN REPRESSIVE, AT LEAST IN CASES OF STRIKES AND STUDENT DEMONSTRATIONS. UNTIL NOW, THERE HAS BEEN NO REAL NEED FOR TOUGHER APPROACH, AND REGIME HAS INTEREST IN MAINTAINING AT LEAST APPEARANCE OF TOLERANT ATTITUDE. BY

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CONTRAST, FURTHER DISORDERS IN KABYLIA MAY BE EXPECTED TO BE MET WITH FORCE.

11. IN FOREIGN AFFAIRS, ALGERIANS WILL ALMOST CERTAINLY CONTINUE TO ASSIGN HIGH PRIORITY TO CONFOUNDING MOROCCO AND MAURITANIA IN SAHARA AND TO SHOWING WORLD THEIR SOLIDARITY WITH ALL LIBERATION MOVEMENTS. AT SAME TIME, HOWEVER, BOUMEDIENE'S CAUTIOUS APPROACH TO MAJOR WORLD PROBLEMS - PARTICULARLY MIDDLE EAST - IS LIKELY TO CONTINUE AND HIS ESPOUSAL OF RADICAL CAUSES THERE AND ELSEWHERE WILL PROBABLY REMAIN MORE MUTED AND SYMBOLIC THAN MATERIAL.

12. CONSEQUENCES FOR U.S.-ALGERIAN RELATIONS: ALGERIAN EFFORT TO DEVELOP BROADER, WARMER RELATIONSHIP WITH US CONTINUES. AMBASSADOR IS BEING RECEIVED WITH ALACRITY ON ROUND OF COURTESY CALLS, NOT

ONLY ON MINISTERS BUT ON MASS ORGANIZATION LEADERS WITH WHOM WE HAVE HAD LITTLE OR NO CONTACT IN PAST. POSITIVE ATTITUDE TOWARDS U.S. HAS BEEN VIRTUALLY UNIVERSAL AND EXPRESSIONS OF HOPE FOR EXPANDED RELATIONS IN VARIOUS AREAS FREQUENT.

13. HIGH LEVEL ALGERIANS HAVE ALSO BEEN MORE FORTHCOMING IN ANSWERING AT LEAST SOME OF QUESTIONS POSED THEM. FOR EXAMPLE, GOVERNMENT SECYGEN HAMDANI ARRANGED FOR APPOINTMENT FOR AMBASSADOR WITH SLIMANE HOFFMAN, A KEY FIGURE IN ALGERIA'S SAHARA EFFORT AND A MAN WHOM WE HAD NOT SEEN FOR SOME TIME, TO DISCUSS MORE FULLY SAHARA QUESTION GENERALLY AND SAHRAOUI REFUGEES IN PARTICULAR. THESE OVER-TURES TAKE PLACE AGAINST BACKGROUND OF REPEATED ASSURANCES FROM BOUMEDIENE THAT HE WELCOMES CARTER ADMINISTRATION'S FOREIGN POLICY INITIATIVES AND IS SEEKING TO EXPAND ON SOLD ECONOMIC UNDERPINNING OF OUR RELATIONSHIP.

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14. AMERICAN FIRMS CONTINUE TO BE PLAGUED BY VEXING VISA, CUSTOMS AND TAX DIFFICULTIES IN DEALING WITH ALGERIAN STATE ENTERPRISES, AND NUMBER OF COMPANIES FACING PAYMENT DIFFICULTIES SEEMS TO BE GROWING. ALGERIA NOW WELL KNOWN AS A VERY DIFFICULT PLACE TO DO BUSINESS AND SOME FIRMS ARE NOT BIDDING ON WHAT LOOK LIKE LUCRATIVE

CONTRACTS BECAUSE OF THE "HORROR STORIES" THEY HAVE HEARD OR EXPERIENCED. OTHERS WILL CONSIDER ONLY COST-PLUS CONTRACTS WHERE IN THE PAST THEY WERE WILLING TO BID ON A FIXED PRICE BASIS. PRIVATE BANKS ARE LESS AND LESS WILLING TO LEND TO ALGERIA, AND WE BELIEVE THAT THE COUNTRY WILL NOT MEET ITS BORROWING TARGET (POSSIBLY \$2.5 TO 3.0 BILLION GROSS) THIS YEAR. ONLY SOME GOOD NEWS IN THE LNG SECTOR - SUCH AS THE SUCCESSFUL START OF PRODUCTION AT LNG I AND SKIKDA UNIT 40 - COULD GIVE SOME BOOST TO LAGGING FOREIGN CONFIDENCE, AND TO FOREIGN EXCHANGE EARNINGS.

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15. IN CONCLUSION, WE MIGHT POINT TO FOUR DANGERS TO OUR RELATIONSHIP WITH ALGERIA:

(A) AS IS POINTED OUT ABOVE, REGIME FACES DIFFICULTIES AT MOMENT, AND DEMAND FOR CHANGE OF POLITICAL AND ECONOMIC ORIENTATION COULD INCREASE IF SITUATION DOES NOT APPEAR TO IMPROVE. GIVEN GENERAL PUBLIC VIEW THAT REGIME IS NOW IDENTIFIED WITH US (PEOPLE HERE BEGINNING TO SPEAK OF "SADATIZATION" OF BOUMEDIENE) RESPONSE TO SUCH DEMAND MIGHT WELL ENTAIL WEAKENING OF "AMERICAN CONNECTION."

(B) ALSO, POSSIBILITY OF SAHARA SITUATION MOVING FROM CURRENT STALEMATE TO CRISES IS EVER PRESENT, AND STRAIN SUCH A CRISES WOULD PUT ON OUR RELATIONS HERE WOULD BE GREAT. SOME HIGH REGIME FIGURES CONVINCED THAT U.S. OUT TO GET ALGERIA IN SAHARA, AND SUCH ATTITUDE COULD GAIN CURRENCY IF SITUATION THERE DETERIORATED.

(C) FINALLY, ALGERIANS HAVE HIGH HOPES FOR OUR MIDDLE EAST AND SOUTHERN AFRICA INITIATIVES, AND PERCEPTION HERE THAT OUR COMMITMENT TO THESE EFFORTS WAS FALTERING, OR THAT OUR EFFORTS THEMSELVES WERE FAILING, WOULD CAUSE DISILLUSIONMENT.

(D) WERE U.S.-ALGERIAN POLITICAL RELATIONS TO DETERIORATE, GROWING PROBLEMS WHICH OUR COMPANIES ARE FACING COULD LOOM LARGER IN RELATIONSHIP AND PERHAPS ACCELERATE DETERIORATION.

16. THUS WHILE COMBINATION OF FAVORABLE CIRCUMSTANCES HAS CREATED REASONABLY WARM AND EXPANDING U.S.-ALGERIAN RELATIONSHIP, THERE ARE SOME POTENTIAL PROBLEMS, AND CHANCE OF ONE OR THE OTHER OF THEM ADVERSELY AFFECTING THIS RELATIONSHIP CANNOT BE DISMISSED LIGHTLY.

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